

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southwest Gas Corporation for Authority to Change Natural Gas Rates in san Bernardino, Placer, El Dorado, and Nevada Counties, California (U 905-G).

Application 02-02-012
(Filed February 13, 2002)

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE**

This ruling determines the category, scope, need for hearing, and schedule of this proceeding in accordance with Article 2.5 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure. This ruling follows a prehearing conference (PHC) held on May 1, 2002, San Francisco, California, pursuant to Rules 6(a) and 6.3 of the Commission's Rules of Practice and Procedure (Rules).

This ruling determines that this is a ratesetting proceeding, for which hearings are necessary. Consistent with our review of previous rulings, and statements at the PHC, we define the scope of issues for this proceeding. The schedule set below anticipates a final Commission decision by April 2002. Finally, we note that this schedule is consistent with Section 1 of Senate Bill (SB) 960 (Ch.96-0856), which urges the Commission to establish reasonable periods for the completion of proceedings, and that deadlines not exceed 18 months.

Background

On February 13, 2002, Southwest Gas Company (Southwest) filed Application (A.) 02-02-012, a request for a General Rate Case proceeding. The

company's application covers the entire scope of operations, which is the usual scope of a General Rate Case proceeding. Southwest Gas, however, specifically draws attention to a proposed project of replacing the first generation plastic pipes originally installed in the 1960's and 70's in its Southern California service areas. Southwest requests over \$60.2 million in rate base increases for the replacement project from 2002-2007.

Approval of all of Southwest Gas's requests will lead to an increase in residential rates in Northern California of 8.77% and an increase in residential rates in Southern California of 8.3% for the year 2003, with other increases to follow in attrition years.

On February 21, 2002, the Commission issued Resolution ALJ-176-3082, which, among other things, preliminarily determined that this proceeding should be categorized as ratesetting and that a hearing would prove necessary. Subsequently, Commissioner Peevey and Administrative Law Judge Sullivan were assigned to the proceeding.

On March 21, 2002, the Office of Ratepayer Advocates filed a timely protest to Southwest's application. ORA's protest notes that approximately 80% of the identified revenue requirement deficiency arises from the pipe replacement project, primarily centered in Southwest's Southern California service area. ORA identifies this request for funding as currently "questionable" stating that the company "fails to provide sufficient justification in its application to support such large increases in capital expenditures. . ." ORA also identifies for closer scrutiny issues relating to depreciation expense, distribution operating and maintenance expenses, expansion of gas plant in Northern California, the cost of capital and the complexity of Southwest's attrition proposals. Further

issues include the allocation of system wide gas plant to California, administrative and general expenses, and Southwest's rate design proposals.

On May 1, 2002, ALJ Sullivan presided over a PHC in San Francisco, California to address the scope of issues in the proceeding and a schedule for resolving them. The PHC included statements from Southwest, ORA, and the County of San Bernadino.

Category

Rule 6(a)(3) states as follows:

"The assigned Commissioner should consider the application, protests, responses, and the prehearing conference statements (if one is held), and shall rule on the category, need for hearing, and scoping memo. The ruling shall also designate the principal hearing officer or presiding officer, as appropriate . . . The ruling, only as to the category, is appealable under the procedures in Rule 6.4."

No party in written or oral statements objected to the preliminary determination that this should be a ratesetting proceeding. No party objected to the preliminary determination that hearings are necessary.

Pursuant to Rule 6(a)(3), we affirm the Commission's preliminary determination in ALJ-176-3082 that this is a "ratesetting" proceeding¹ and that a hearing is required.² The *ex parte* rules as set forth in Rule 7 of the Commission's Rules of Practice and Procedure apply to this proceeding.

¹ Rule 5(c) defines a "ratesetting" proceeding as one in which the Commission sets or investigates rates for a specifically named utility or establishes a mechanism that in turn sets rates for a specifically named utility.

² This ruling's determination of category may be appealed to the Commission in accordance with the procedures in Rule 6.4. All other determinations made by this ruling are final.

Scope of Proceeding

The scope of a General Rate Case is to determine the overall reasonableness of rates charged by a utility. As such, the scope is very broad, encompassing rates, earnings, safety, depreciation, costs of capital, methodologies for allocating costs and the quality of operations. Of particular interest to the Commission are the proposed pipeline replacement project in Southwest's Southern Division and pipeline replaced and expansion projects proposed for the Northern Division. These capital projects will account for approximately 80 percent of Southwest's proposed increases in revenue requirements over the next several years.

Schedule

During the PHC, Southwest, ORA, and the County of San Bernardino agreed to a schedule for resolving the issues in this proceeding.

| Event | Date |
|--|--|
| A.02-02-012 Filed | February 13, 2002 |
| PHC | May 1, 2002 |
| Scoping Memo Issued | June 4, 2002 |
| ORA Testimony Served | July 19, 2002 |
| Intervenor Testimony Served | August 5, 2002 |
| Rebuttal Testimony Served | August 14, 2002 |
| Discovery Concludes | August 21, 2002 |
| Public Participation Hearing, Hesperia City Hall, Council Chambers, 15776 Main Street, Hesperia | 7:00 p.m., August 12, 2002 |
| Public Participation Hearing, City of Big Bear Lake, Performing Arts Center, 39707 Big Bear Blvd., Big Bear Lake | 7:00 p.m., August 13, 2002 |
| Public Participation Hearing, North Tahoe Conference Center, 8318 North Lake Blvd., King's Beach, California | 7:00 p.m., August 19, 2002 |
| Evidentiary Hearings Begin | August 26, 2002 |
| Concurrent Opening Briefs Filed (including any request for oral argument before the Commission) | Three weeks after the close of evidentiary hearings. |
| Concurrent Reply Briefs Filed and Projected Submission Date | Two weeks after the filing of opening briefs |
| Proposed Decision Issues (projected) | November 19, 2002 |
| Commission Decision | December 19, 2002 |
| New Rates Adopted | January 1, 2003 |

Resolution of the issues within the scope of this proceeding will not exceed 18 months from the date of the filing of the application (February 13, 2002), pursuant to SB 960, Section 1 (Ch.96-0856).

Principal Hearing Officer and Final Oral Argument

Pursuant to Pub. Util. Code § 1701.3, ALJ Sullivan is designated as the principal hearing officer in this application.

As stated in the schedule above, and pursuant to Rule 8(d), parties requesting final oral argument before the Commission should include that request in their concurrent brief, filed after hearing.

Service List and Electronic Distribution of Pleadings

The current service list is attached to this ruling. A current service list for this proceeding is also available on the Commission's web page, www.cpuc.ca.gov. Choose "Proceedings" and then "Service Lists." The service list for this proceeding can be located in the "Index of Service Lists" by scrolling to the application number.

Consistent with the service procedures discussed at the PHC, (per Rule 2.3), all parties are encouraged to distribute all pleadings and testimony in electronic form to those parties that provided an electronic mail address to the Commission. In addition, testimony must be served in a paper format to avoid differences in pagination that can complicate the cross-examination of witnesses. The electronic addresses of all parties to the proceeding can be found in the comma-delimited service list file. Choose the application number and click on "Download Comma-delimited File."

All formal filings to the Commission, however, must be made by paper.

IT IS RULED that:

1. The scope of the proceeding is as set forth herein.
2. The schedule for this proceeding is as set forth herein.
3. This ruling confirms the Commission's preliminary finding ALJ-176-3082 that the category for this proceeding is ratesetting and that hearings are

necessary. This ruling, only as to category, is appealable under the procedures in Rule 6.4.

4. Administrative Law Judge (ALJ) Sullivan is the principal hearing officer in this investigation.

5. The official service list as of this date is attached to this ruling as Appendix A. All submissions shall be served on those on the current service list as well as on the Assigned Commissioner and assigned ALJ. Submission to the assigned ALJ and to the service list shall be provided by either electronic mail or hard copy. All submissions to the Commission's Process Office must be made by paper.

6. Appendix B contains directions concerning the preparation and identification of exhibits. Parties shall follow these directions.

7. The *ex parte* rules as set forth in Rule 7 of the Commission's Rules of Practice and Procedure apply to this application.

Dated June 5, 2002, at San Francisco, California.

/s/ MICHAEL R. PEEVEY
Michael R. Peevey
Assigned Commissioner

/s/ TIMOTHY J. SULLIVAN
Timothy J. Sullivan
Administrative Law Judge

APPENDIX A SERVICE LIST

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(END OF APPENDIX A)

APPENDIX B

EXHIBITS

Service of Exhibits

All prepared written testimony shall be served on all appearances and state service on the service list, as well as on the Assigned Commissioner's office and on the Assigned ALJ. Do NOT file prepared written testimony with the Commission's Docket Office. (Such testimony becomes part of the record only after it is admitted into evidence.)

Identification of Exhibits in the Hearing Room

Each party sponsoring an exhibit shall, in the hearing room, provide **two copies to the ALJ and one to the court reporter**, and have at least 5 copies available for distribution to parties present in the hearing room. **The upper right hand corner of the exhibit cover sheet shall be blank for the ALJ's exhibit stamp.** Please note that this directive applies to cross-examination exhibits as well. If there is not sufficient room in the upper right hand corner for an exhibit stamp, please prepare a cover sheet for the cross-examination exhibit.

Cross-examination With Exhibits

As a general rule, if a party intends to introduce an exhibit in the course of cross-examination, the party should provide a copy of the exhibit to the witness and the witness' counsel before the witness takes the stand on the day the exhibit is to be introduced. Generally, a party is not required to give the witness an advance copy of the document if it is to be used for purposes of impeachment or to obtain the witness' spontaneous reaction. An exception might exist if parties have otherwise agreed to prior disclosure, such as in the case of confidential documents.

Corrections to Exhibits

Generally, corrections to an exhibit should be made in advance and not orally from the witness stand. Corrections should be made in a timely manner by providing new exhibit pages on which corrections appear. The original text to be deleted should be lined out with the substitute or added text shown above or inserted. Each correction page should be marked with the word "revised" and the revision date.

Exhibit corrections will receive the same number as the original exhibit plus a letter to identify the correction. Corrections of exhibits with multiple sponsors will also be identified by chapter number. For example, Exhibit 5-3-B is the second correction made to Chapter 3 of Exhibit 5.

(END OF APPENDIX B)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge on all parties of record in this proceeding or their attorneys of record.

Dated June 5, 2002, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.